

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 OMB-01 CIEP-01

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FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 1153
INFO AMCONGEN HONG KONG

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HONG KONG FOR TREASURY REP

E.O. 11652: N/A
TAGS: ECON, TH
SUBJECT: RTG AUTHORIZES CEMENT PRICE INCREASES

1. THE RTG HAS OFFICIALLY RAISED THE CONTROL PRICE FOR CEMENT EFFECTIVE JULY 22. PRICES FOR THE THREE DIFFERENT GRADES OF CEMENT PRODUCED IN THAILAND INCREASED AN AVERAGE OF EIGHT PERCENT. THE MOVE HAS BEEN WELL RECEIVED BY BUSINESS AND SET OFF THE FIRST REAL TRADING SPURT IN THAILAND'S FLEDGLING (15-MONTH-OLD) STOCK EXCHANGE. TRADING THERE WAS DESCRIBED AS FRENZIED IN A REPORT BY THE "BANGKOK POST."

2. AN EMBOFF ON JUNE 23 DISCUSSED THE GOVERNMENT'S DECISION WITH AYUT ITSARASENA, A MAJOR OFFICIAL OF THE SIAM CEMENT GROUP. ONLY THIS WEEK IN A SPEECH BEFORE THE AMERICAN CHAMBER OF COMMERCE IN THAILAND, AYUT HAD SINGLED OUT PRICE RELIEF FOR THE CEMENT INDUSTRY AS ONE OF THE NECESSARY STEPS TO IMPROVE THE INVESTMENT CLIMATE. AYUT WAS ENTHUSIASTIC ABOUT THE GOVERNMENT'S DECISION, SAYING THAT THE AMOUNT OF THE PRICE INCREASE WAS SUFFICIENT TO RESTORE PROFITABILITY TO THE INDUSTRY AND PROVIDE FOR RENEWED INVESTMENT. HE CHARACTERIZED THE ACTION OF THE GOVERNMENT AS COURAGEOUS AND SPECIFICALLY COMMENDED DAMRONG LATTHAPHIPHAT, MINISTER OF COMMERCE.

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3. EMBASSY HAS REPEATEDLY EXPRESSED THE VIEW THAT PRICE RELIEF WAS ONE OF THE KEY TESTS THAT THE GOVERNMENT HAD TO MEET TO REVIVE INVESTMENT. THE RTG HAS NOW ACTED ON RICE AND CEMENT, TWO KEY COMMODITIES. THE THIRD COMMODITY GROUP WHERE ACTION IS NEEDED IS PETROLEUM PRODUCTS, ON WHICH THE SENI GOVERNMENT HAS SO FAR DEFERRED ACTION. THE GOVERNMENT DECISION TO AUTHORIZE PRICE INCREASES FOR CEMENT IS NOT ONE WHICH IN ITSELF CAN CHANGE THE PRESENT INVESTMENT MALAISE, BUT IT IS A WELCOME INDICATION OF THE GOVERNMENT'S READINESS TO MOVE TOWARD RATIONAL PRICING POLICIES. IF IT IS FOLLOWED WITH SIMILAR STEPS, THE INVESTMENT OUTLOOK COULD BRIGHTEN GREATLY.

WHITEHOUSE

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